

Message Text

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PAGE 01 BERLIN 02089 081246Z

51

ACTION EUR-25

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TO SECSTATE WASHDC 2714

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C O N F I D E N T I A L BERLIN 2089

EO 11652: GDS

TAGS: ENRG, ETRD, GE, US

SUBJECT: STANDARD OIL (INDIANA) PRESIDENT VISITS GDR

1. BRIEF ITEM IN NEUES DEUTSCHLAND DECEMBER 5 STATED THAT STATE SECRETARY BEIL IN GDR MINISTRY FOR FOREIGN ECONOMIC RELATIONS MET WITH STANDARD OIL OF INDIANA PRESIDENT GUNNESS ON DECEMBER 4. ACCORDING TO REPORT, FUTURE DEVELOPMENT OF BUSINESS RELATIONS WAS DISCUSSED, GUNNESS PRESENTING "PROPOSALS FOR LONG-TERM ECONOMIC, SCIENTIFIC AND TECHNICAL COOPERATION IN VARIOUS AREAS OF MUTUAL INTEREST".

2. INDIANA REPRESENTATIVES HAD EARLIER INFORMED MISSION OFFICERS OF PLANNED VISIT OF GUNNESS TO EAST BERLIN. INDIANA INTERESTED IN SOURCING SOME OF ITS WESTERN EUROPEAN REFINED PETROLEUM REQUIREMENTS FROM NEW REFINERY PLANNED BY GDR FOR CONSTRUCTION IN SCHWEDT. EAST GERMAN REFINERY PLANS ORIGINALLY CALLED FOR CAPACITY OF THREE MILLION TONS BASED ON ESTIMATED BERLIN REQUIREMENTS, BUT INDIANA REPS REPORTED THAT GDR NOW CONSIDERING POSSIBILITY OF CONSTRUCTION OF SIX-MILLION-TON INSTALLATION
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PAGE 02 BERLIN 02089 081246Z

IN VIEW UNECONOMIC SIZE OF SMALLER INSTALLATION AND APPARENT

WILLINGNESS OF INDIANA TO ENTER INTO LONG-TERM ARRANGEMENT WITH GDR TO PURCHASE HALF OF REFINERY OUTPUT FOR RESALE IN WESTERN EUROPE.

3. INDIANA REPRESENTATIVES OPINED THAT GDR WOULD TAKE DECISION ON REFINERY CONSTRUCTION IN VERY NEAR FUTURE WITH INSTALLATION TO BE COMPLETED WITHIN 36 MONTHS, OR BY END OF 1976. INDIANA ANTICIPATED THAT AMERICAN FIRMS BECHTEL AND PARSONS WOULD BE SELECTED BY GDR AS GENERAL CONTRACTORS TO PROVIDE TURN-KEY INSTALLATION. ON BASIS KNOWLEDGE OF CHARACTERISTICS FOR WHICH AMERICAN ENGINEERING FIRMS ARE DESIGNING REFINERY, INDIANA REPS BELIEVED CRUDE FOR REFINERY WILL COME FROM MIDDLE EAST.

4. ON DECEMBER 3, INDIANA REPS REPORTEDLY MADE TENTATIVE DEAL WITH GDR AUTHORITIES WHEREBY SUPER TANKER WITH ALMOST ONE-QUARTER MILLION TONS OF KUWAITI OIL, FOR ACCOUNT OF GDR, DESTINED FOR ROTTERDAM, WOULD BE DIVERTED TO INDIANA REFINERY AT MILFORD-HAVEN IN ENGLAND. THERE, POSSIBLY PART OF OIL WOULD BE TRANSFERRED TO 35,000 TON CAPACITY TANKERS FOR IMMEDIATE TRANS-SHIPMENT TO ROSTOCK WITH BALANCE TO FOLLOW SOME TIME IN FUTURE.

5. COMMENT. SOME OF FOREGOING IS AT VARIANCE WITH OTHER INFORMATION AVAILABLE TO MISSION. FOR EXAMPLE, EAST BERLIN REPRESENTATIVE OF ITALIAN OIL FIRM ENI RECENTLY EXPRESSED VIEW THAT BEGINNING OF REFINERY CUM BERLIN/SCHWEDT AND BERLIN/ROSTOCK REFINED-PRODUCTS-PIPELINES CONSTRUCTION IS ABOUT A YEAR AWAY AND THAT A U.S. FIRM, FLUOR, ON BEHALF OF AMERICAN CONSORTIUM, IS EXPECTED TO SUBMIT AN OFFER TO EAST GERMANS. (BECHTEL IS ALSO APPARENTLY TRYING TO WORK DIRECTLY WITH GDR. ACCORDING TO ECONOMICS SENATOR KOENIG, ACTIVITY UNDER EARLIER CONTRACT WITH HIS WEST BERLIN ENERGY CONSULTING FIRM HAS BEEN STOPPED IN FAVOR OF DIRECT ACTION.) IT SHOULD BE NOTED THAT STANDARD OF INDIANA HAS GOOD CONNECTIONS WITH GDR BECAUSE OF ITS 1967 ROLE IN CONSTRUCTION OF PETROCHEMICAL PLANT AT SCHWEDT; ON OTHER HAND, COMPANY APPEARS UNFAMILIAR WITH BERLIN POLITICS AND, ACCORDING TO LOCAL MERRILL LYNCH
CONFIDENTIAL

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PAGE 03 BERLIN 02089 081246Z

BROKER, DOES NOT HAVE FIRST-HAND EXPERIENCE IN OBTAINING CRUDE FROM MIDDLE EAST. ENTIRE MATTER IS, OF COURSE, CLOUDED OVER BY CONTINUING GDR INSISTENCE ON SENAT-GDR AGREEMENT RE PIPELINE TO WEST BERLIN.KLEIN

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